



DEPARTMENT OF STATE
WASHINGTON

27

January 6, 1959

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Transmitted To: SECRET (6840) 116000 1 2 3 4

Approved By: H. D. Brown

August 4, 1975

Dear Fritz:

I am enclosing herewith a copy of Gerry Smith's memorandum on the meeting between Secretary Dulles and Secretary McElroy that took place on December 5. You will recall that this is the meeting that I described to you in general terms in Paris. It took place the morning that the Secretary returned from Mexico and California. Following the meeting with McElroy, the Secretary met with the Draper Committee. In the afternoon of December 5 we had our second substantive briefing meeting with the Secretary in preparation for the December Ministerial meeting. This briefing was largely given over to a discussion of MC-70 and the U.S. contribution to NATO. Shortly after our briefing meeting ended, the Secretary went to the hospital with his recent illness.

The attached memorandum provides a good summary of the problem which arose again in Paris and will, I am sure, continue to be a major problem.

As the attached memorandum is the only copy in EUR, I would request that you return it to me just as soon as you, the Ambassador, Joe and Ray Thurston have had a chance to read it. Ray will, of course, wish to show it to Larry Norstad. I would request that it not be circulated any further, and that under no circumstances should it be shown to Haskell or any of his people. Obviously, the material in the attached memorandum is extremely sensitive and I hope it will be treated with all due care. Also, there should be no reference to this memorandum in any telegraphic correspondence.

Sincerely,

B. E. L. Timmons
B. E. L. Timmons

Enclosure:

Cy Memo Conv 12/5/58,
w/Secy, McElroy, etc.,
TS Control # S/P-58325-6A.

The Honorable

Frederick E. Nolting, Jr.,
Deputy Chief of Mission, USRO,
Paris.

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December 5, 1958

Department of Defense Budget Problems; NATO Ministerial Meeting.

State

Secretary Dulles
Christian A. Herter
C. Douglas Dillon
Robert Murphy
Livingston T. Merchant
H. Frederick Reinhardt
Gerard C. Smith

Defense

Secretary McElroy
Donald A. Quarles
John N. Irwin, II

JCS

General Nathan F. Twining

White House
Gordon Gray

Copies to:

S/S, U, C, C, W, CDR, S/P

Secretary McElroy said that he would like to discuss with the Secretary two questions--preparations for the NATO Ministerial meeting and certain problems regarding the Department of Defense budget. He said that he had followed the foreign policy guidance of the Secretary of State at a meeting on Saturday, November 8.

Secretary McElroy pointed out the need to have a strong nuclear retaliatory force as well as forces to cope with limited aggression. He recognized that we would need these forces for a long time. A Presidential decision will be needed on budgeting for an additional large aircraft carrier with nuclear power, costing about \$380 million. The Navy target is to have 12 large carriers so as to permit 4 1/2 to be on station at all times. He expressed concern over the possibility of the U. S. having to cope simultaneously with two or three limited war situations. He spoke of the advantages of nuclear-powered vessels as opposed to conventional powered. It was agreed that the President, at the recent Augusta meeting, had not been in favor of this carrier. Secretary McElroy pointed out the advantage of aircraft carriers in limited war situations, and suggested that Secretary Dulles' support for this item would be welcome in the NSC discussion scheduled for December 6.

Secretary Dulles said it was very difficult for him to take a position on the merits of any individual military item. He felt

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that the U. S. needed a continued and, perhaps, increased limited war capability, but he was in no position to judge how the military should plan for this.

Secretary McNamara said he was going to submit the carrier item and leave it to the President to remove it if that was his wish. Mr. Gray said that he understands the President wished this item to be deferred.

Mr. Herter asked if the President had established a budget ceiling for the DOD. Secretary McNamara replied "no". He said the President may wish to do this, but had not so far. Mr. Gray pointed out the difficulty that a military budget ceiling would have for the President, especially with Congress.

Secretary Dulles pointed out the undesirability of a "Procrustean bed" approach to defense budgeting.

Secretary Dulles pointed out the likelihood that limited aggressions would occur simultaneously rather than serially as had been the case in the past. So far the Communists had probed our will to meet force with force, and had probed with force in an effort to create allied splits. So far the Communists had not probed to test our strength, but if we reduced our strength we could expect this third type of probe.

Secretary McNamara pointed out that the United Kingdom was no longer dependable as a naval power.

Secretary Dulles said he recognized the dilemma that we are facing. We depend on a free society with private initiatives. Continued deficit financing and high taxes may destroy this vital element, but we must consider the resources of the forced manpower of the Soviet bloc. We must realize that we cannot have security cheaply and without sacrifice. The Secretary said he was not clear as to where the line should be drawn between these two considerations.

Secretary McNamara said that orders had gone out to the Army to reduce force levels to the Presidential budget of FY 1959. This will require a 30,000 man reduction. This will pinch the Army in regard to overseas deployments. We must face the fact that our forces abroad must be cut over the long term or our military budget will go way up. It appeared that the reduction for this year could be handled without significant reductions in overseas deployments.

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However, further cuts seemed inevitable. It did not appear sensible to make the next cut by, say, 50,000. The next reduction would probably have to be of the order of 125,000, of which 75,000 would come from the Army and the Marines. A smaller force would require more central positioning, which means that our NATO forces would have to be cut significantly in the future.

General Twining thought that the European nations would not meet the goals set out in MC-70. This raised the question as to whether we would try to reach our MC-70 goal or whether we should cut too and go to a changed concept of European defense. If others were reducing forces, why not go down as a group?

Secretary McNamara said that the State Department papers being prepared for the NATO Ministerial meeting were proposing a hard line on MC-70. This, in effect, meant holding our own feet to the fire.

Mr. Dillon said that the opinion that the Europeans would not meet the MC-70 goals assumes that Mutual Security funds would not be available to finance the MC-70 equipment requirements.

Secretary McNamara said it was not just a question of equipment, but also of force levels. The Danish Prime Minister had advised him of upcoming Danish cuts in their forces, the United Kingdom is planning on further cuts, and the French have not been helpful. It is not clear how the Germans will act.

Gordon Gray pointed out that the rapidly diminishing backlog of military assistance funds would have a substantial effect on our foreign military operations in the next few years.

Secretary McNamara pointed out that certain missile programs would have to be changed, which would have a bearing on NATO expectations.

Secretary Dulles asked about the proposed 30,000 cut in force levels in fiscal 1959 and asked how much would have to come from Europe. Secretary McNamara said that General Norstad was studying this question—that he had to meet several requirements that have not been programmed for, such as the NATO atomic stockpile. General Norstad thinks that the force reduction can be made without significant withdrawals from Europe, but some force withdrawals may have to come out of tactical forces. The five divisional organization would, however, remain.

Secretary

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Secretary Dulles pointed out that under present conditions of the Berlin crisis it would not be a good time to remove forces. Popular interpretation would tend towards saying such a move is leading to the collapse of NATO if it was done precipitously. However, if the withdrawals could be done slowly that would be another matter.

Secretary McNamara said that the Department of Defense would go ahead with its planning and would not take any decisions without checking with the Secretary of State.

Mr. Quarles pointed out that it was possible that two battle groups would have to be removed from the 7th Army in Germany.

General Twining said he was not in favor of cutting our NATO support, but he believed that it was not our force contribution that was the important thing, but the solidarity of the alliance. He pointed out that the European Nations are unhappy about our continually pressing them to keep up their forces. We should talk to them about our difficulty in keeping up our forces. If we are going to get down to an over-all force level of 2.4 million, we must withdraw troops from abroad. The President said that our five-division strength in Europe was only a temporary measure.

Mr. Merchant

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Mr. Merchant pointed out that the MC-70 program was a five-year plan. We should not emphasize too much the inability of certain countries to meet their first-year commitments. In view of the present Malaise in NATO and the Berlin crisis, public knowledge of US force cuts now would have an extremely serious political impact. If there were to be reductions in our support for NATO, the annual review procedure should be used. If we propose a review of MC-70 now based on our inability to meet our commitments, there will be very serious repercussions.

General Twining pointed out that five American divisions are not stopping the Russians. We should take a "cold look" at the required US force levels in Europe.

Mr. Irwin pointed out that the Bureau of Budget was proposing cuts in the Mutual Security program from \$400-\$600 million, and the Congress would probably cut deeper. A resultant military assistance budget of \$1.2-\$1.5 million will result in severe prejudice to the equipping of NATO forces with new weapons. He pointed out that we have not yet reached the expensive phase of the MC-70 program. If we get off to a poor start, we may never be able to get up to the required level to meet MC-70.

General Twining pointed out that the Germans had not carried their full load and that if we stopped carrying the load they would pick up the slack.

Secretary Dulles pointed out that this may be so militarily, but it could also result in the Germans reconsidering their entire political orientation.

Mr. Quarles referred to Duncan Sandys idea that political pressures should be brought to bear on the military proposals for NATO. Perhaps the best procedure now would be to go ahead with proposals for calendar year 1959, but to start a "back fire". We should start to work on the generation of the next "requirements" document and should inject political realism into it.

Secretary Dulles asked about the IABM situation. Secretary McNamara said that it depended on whether or not Jupiters would be deployed to France. He suggested that we may end up with IABMs in "reserve stocks".

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He asked if Italy was serious about stationing IRBMs. The Secretary felt that Italy was, but there were financial problems.

Secretary McElroy asked if the United Kingdom would be willing to buy more than the four squadrons presently planned on.

Mr. Quarles said that Ambassador Burgess believed it important that at the NATO Ministerial meeting we continue to support a program of ten squadrons for Europe, including the United Kingdom.

Secretary Dulles pointed out the dangers of any appearance of US unfreezing its position. We must avoid the appearance of weakness, or an appearance of reacting to Soviet pressure.

Mr. Quarles said that Ambassador Burgess had said to him that the French were now preparing a proposal with regard to IRBMs. Mr. Irwin said the Germans were expressing an interest in them.

Secretary McElroy said that at the NSC meeting the next day he planned to propose force levels for FY 1960 at the same level as June 30, 1959. Spending rates for the Department of Defense would be slightly up. The proposed Department of Defense budget will result in a number of establishments being closed down, which would cause some unemployment. This will have an effect on the economy.

Mr. Gray pointed out that with the reduction in the backlog of mutual security funds, which could be carried over from previous years, our freedom of action in the foreign field will be substantially reduced. Mr. Irwin pointed out that we will not be able to dip into these funds for emergencies, such as Quemoy.

Mr. Smith asked what effect the proposed budget cuts for fiscal 1960 would have on STRAC. General Twining said that the combat strength of STRAC had already been cut by 25%.

There was some discussion as to whether the necessary cuts in fiscal 1959 force levels to bring them down 30,000 could be made from our Korean divisions. Secretary Dulles

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pointed out this could not be done without losing the UN command concept.

In closing Secretary McElroy said he was not looking for decisions at this meeting. He merely wanted to discuss his problems with the Secretary of State. He was sure the President would be disappointed that the Department of Defense would not be able to make further cuts. He also hoped to have the support of all the Joint Chiefs.

Mr. Irwin pointed out that cuts in Mutual Security would effect the funds of the Department of Defense since a number of programs were dependent upon funds generated by military sales to the Mutual Security Program.

Governor Herter asked what the effect of 1,000-2,500 million cut in Mutual Security funds would have on the Department of Defense. Mr. Irwin pointed out that he was still discussing this with the Bureau of Budget.

E/P:GCCmith
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